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BACHELOR THESIS

**ECONOMIC ANALYSIS OF REAL ESTATE
SECTOR IN VIETNAM**

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Declaration

I hereby declare that I have worked on my Bachelor thesis titled “ECONOMIC ANALYSIS OF REAL ESTATE SECTOR IN VIETNAM” solely and completely on my own and that I have marked all quotations in the text. The literature and other material I have used are mentioned in the References section of the thesis.

In Prague on 28th March 2012

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Ekonomická Analýza Realitního Sektoru ve Vietnamu

Economic Analysis of Real Estate Sector in Vietnam

Abstract

Vietnam is a small country in the Southeast Asia with more than 90 million populations and relatively basic infrastructure. In the past Vietnam was well-known through two wars with French and United States. Nowadays Vietnam is a developing country and is a member of ASEAN and WTO. In many recent years, Vietnam has estimated as potential market, only behind China. Besides the significant fields such as textile, rice export, coffee, the commercial property is also an important field that has attracted a lot of investors.

As the Vietnamese economy is growing, the demand in real estate is increasing significantly. Along with it, the government adopted many measures in order to encourage people to invest into commercial property market. However, the global economic crisis in 2008 made almost of the consumers impossible to invest into commercial property market.

This bachelor thesis is aimed to evaluate the situation of commercial property market in Vietnam by analyzing two markets of biggest cities such as Hanoi capital and Ho Chi Minh City, and define how the economic indicators, GDP growth rate, FDI (Foreign Direct Investment) and CPI (Consumer Price Index) affected these commercial property markets in each quarter from 2008 to 2011.

Keywords:

Commercial property, supply, demand, vacancy rate, GDP growth rate, FDI, Inflation, market, Hanoi, Vietnam, Ho Chi Minh City, office buildings, retail space, government, policy, economic crisis, shopping centers.

Souhrn

Vietnam je malou zemí v Jihovýchodní Asii s více než 90 milióny obyvatel a poměrně jednoduchou infrastrukturou. V minulosti byl Vietnam znám dvěma válkami s Francií a Spojenými státy. V dnešní době je Vietnam rozvojovou zemí a členem ASEAN a Světové obchodní organizace (WTO). V posledních letech je Vietnam hodnocen jako trh s velkým potenciálem hned po Číně. Vedle významných odvětví jako oděvnictví, produkce rýže, kávy, jsou komerční nemovitosti také důležitým sektorem lákajícím mnoho investorů.

Stejně jako roste vietnamská ekonomika, významně roste i potřeba komerčních nemovitostí. Vedle toho vláda vydala mnoho opatření motivujících obyvatelstvo k investicím do trhu s komerčními nemovitostmi. Ovšem světová ekonomická krize v roce 2008 způsobila, že většina spotřebitelů neměla dost prostředků k investicím do trhu s komerčními nemovitostmi.

Cílem této bakalářské práce je zhodnotit situaci komerčních nemovitostí ve Vietnamu prostřednictvím analýzy trhu komerčních nemovitostí ve dvou velkých městech – Hanoji a Ho Chi Minově městě a definovat jak ekonomické indikátory jako míra růstu HDP, Přímé zahraniční investice a cenový spotřebitelský index ovlivňují trh s komerčními nemovitostmi v každém čtvrtletí období od roku 2008 do roku 2011.

Klíčová slova:

Komerční nemovitosti, nabídka, poptávka, míra volného prostoru, míra růstu HDP, PZI (Přímé zahraniční investice), inflace, trh, Hanoj, Vietnam, Ho Chi Minovo město, kancelářské budovy, obchodní prostory, vláda, politika, ekonomická krize, obchodní centra

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1. Introduction:

Real estate is an important asset in the economy. Globally, real estate account for almost 40% of global equity. Real estate is also interesting since every consumer must some time make a decision about real estate purchase or rental. Real estate creates the big changes in the economy, anyone of us also need to have a house for living, a place for working. Real estate develops together with demand of people and satisfies those needs. Besides, real estate also contributes to push other fields to develop. Real estate is as key industry for any country over the world.

Real estate creates many jobs for many people, creates many houses, office buildings, shopping centers and retail spaces in order to attract many foreigners for visiting, living, working and investing with a big amount of money for it. Any country over the world also want to boost real estate market because real estate could bring big profit, creates the relationship with another countries.

Real estate is important fields that cannot be missing for any country because it would reflect the development, the GDP growth with large buildings, shopping centers in order to serve for people's habit as well as attract many tourists go to Vietnam for shopping.

One of the sectors of real estate is commercial real estate. Commercial property is tending to develop strong, especially by developing countries. Thereby the demand of new high quality buildings is huge such as office buildings, retail spaces, and shopping mall. Commercial property in Vietnam is also developing significantly.

In this thesis, real estate commercial sector in Vietnam is analyzed in the following chapters. In the literature review, this thesis mentioned quick overview about real estate, situation about commercial market in Hanoi capital and Ho Chi Minh City. Commercial property mentioned types and its characteristics. And commercial property market in Vietnam between two big cities Hanoi capital and Ho Chi Minh City is analyzed and evaluated by using economic indicators such as GDP, FDI and CPI.

2. Aim and methodology of the thesis:

This bachelor thesis aims to analyze the real estate commercial market in Vietnam by analyzing the commercial property for office buildings and retail spaces market of two biggest cities Hanoi and Ho Chi Minh City. In the own input chapter, the market demand and supply is reflected through the vacancy rate of Grade A, Grade B and Shopping Centers.

The office buildings and retail spaces market demand and supply is affected by the economic indicators such as GDP growth rate, the capital of FDI, CPI. However, due to data unavailability and scarce data resources in these two cities, three main indicators GDP growth rate, the capital of FDI and CPI are chosen.

To achieve this goal, the main analyzing is based on Ordinary Least Square Method. In the business statistic, there is a significant relationship between two or more variables. The dependent variable is chosen as the vacancy rate of each sector, while three economic indicators are put as independent variables. By using Gretl program, the function of statistical relationship will be created with the correlation equation as below:

$$Y = a \cdot X_1 + b \cdot X_2 + c \cdot X_3 + \text{const}$$

Where Y is the vacancy rate of Grade A or Grade B or Shopping Centers, X_1 , X_2 , X_3 are the economic indicators as following of GDP growth rate, the capital of FDI and CPI. a, b, c and const are the correlation coefficients, which indicate the statistical relationship between independent and dependent variables.¹

P-value stands for probability level of each correlation coefficient in the equation, which indicates the hypothesis testing. If the p-value is higher than 10% the null hypothesis will be accepted, for the statement “there is no statistically significant relationship between two variables”, while if less than 5%, the null hypothesis will be rejected, for the statement “there is a statistically significant relationship between two variables”².

¹Sonia, Taylor. Business Statistics. 3rd ed. 2007 ISBN: 978-0-230-50646-6. page 192

²Sonia, Taylor. Business Statistics. 3rd ed. 2007 ISBN: 978-0-230-50646-6. page 62

3. Literature review:

3.1 Definition of real estate:

It is "Property consisting of land and the buildings on it, along with its natural resources such as crops, minerals, or water; immovable property of this nature; an interest vested in this; (also) an item of real property; (more generally) buildings or housing in general. Real estate defined as "Land and everything above and below the soil"³. Also: the business of real estate; the profession of buying, selling, or renting land, buildings, or housing."⁴

*Under the Civil Code in 2005 of the Socialist Republic of Vietnam, in Article 174 stipulates: "Real estate is assets including lands, houses and buildings associated to land, including the assets associated to home constructions, projects of construction. The other assets attached to land; other assets prescribed according to the law in force"*⁵

Real estate is a broad term that refers to⁶:

- Residential new homes and existing (resale) homes
- Commercial shopping centers, offices and retail space
- Industrial and manufacturing buildings and property
- Vacant land and farms.

3.2 Vietnam commercial property market⁷:

Vietnam's commercial real estate market has been overshadowed by a property glut. Rental rates fell by double-digit rates through 2009. Vacancy rates are generally running at around 30%. Normally, in an economy that has been growing so quickly that the authorities are tightening both fiscal and monetary policy in order to curb inflationary pressures, rents and capital values would fall until much of the vacant space is absorbed. Although the government intervened to re-regulate the commercial real estate sector in early 2010, it was not clear that this process of adjustment was under way in Vietnam. Vietnam's commercial property market has suffered from an oversupply in all subsectors due to over construction. It is now also under pressure from economic uncertainty, a reduced fiscal budget, high inflation (the highest in the Asia Pacific in 2011), tighter credit and declining consumer confidence. Rents have been

³Denise, L. Evans & O. William Evans. The Complete Real Estate Encyclopedia: From AAA Tenant to Zoning Variance and Everything in Between. page 239

⁴Oxford English Dictionary online: Retrieved September 18, 2011

⁵Definition of Vietnam real estate.Civil Code 2005 Article 174

⁶Types of real estate.Real Estate by Kimberly Amadeo, About.com Guide US Economy

⁷Vietnam Real Estate Report Q1 2011/ Hanoi leasing-articles.<http://www.hanoileasing.net/Articles/309/268/news-events/vietnam-real-estate-report-q1-2011.aspx>

falling since 2008 across the board.⁸ Elsewhere, rents tracked sideways or rose by single digit amounts. Looking forward, the sources anticipate that rents will continue to move sideways through 2011 before picking up towards the end of the forecast period in 2015. They are less optimistic about the prospects for higher rents in Hanoi than in Ho Chi Minh City. The government has allowed market forces to operate in at least some of the market. One of the key findings from mid-2010 interviews was that yields had risen sharply in the office and industrial sub-sectors of Hanoi and Ho Chi Minh City. The implication is that there has been a major adjustment in these sub-sectors – in the form of a slump in capital values. It may well be that 2010 comes to be seen as the year in which the key trends in Vietnam’s commercial real estate sector became much clearer. A substantial over-supply of property is being absorbed –although official intervention is still preventing across the board adjustments in rents, yields and capital values. Conditions in particular sub-sectors remain volatile – but yields are in general likely to move sideways or downwards over the coming four years.

3.3 Introduction about commercial property:

Types of commercial real estate⁹:

Office buildings/Office space: What are office buildings, really? What does Class A space mean? What’s the difference between a low rise building and a high rise building?

An office building or office space is a place where people work, answer telephones, have coffee breaks and chat around the water cooler. Office building design is affected in many ways by location.¹⁰ An office building can be as simple as a home in a business district converted to be used for office purposes, or as complex as a fifty story office tower. Most recently constructed office buildings are simply large boxes of space, carved up by architects into various smaller boxes, containing rooms or collections of rooms, to fit the needs of the end user. These buildings can be occupied by a single end user, or can be broken up into multiple users or tenants. An office space is defined as a physical area that is used for office operations.¹¹ Office buildings are generally categorized 3 different ways. They are categorized by the quality of the space (Class A, Class B, Class C), by the height of the buildings (low rise, mid rise or high rise) or by usable space or square footage.

A, B or C Classification: despite many attempts by organizations to classify quality of space, there is no hard and fast definition. The determination of Classes of Office Space continues to be subjective in various marketplaces. Building classifications are used to differentiate buildings and help the reporting of market data in a manner that

⁸ Vietnam Real Estate Report Q3 2011.

<http://www.vcsc.com.vn/Shared/Views/Web/MessagesDetail.aspx?menuid=4&id=49800&catid=1241&tab=&title=Detail&lang=en-us>

⁹ Loren K. Keim. Fundamentals of Listing and Selling Commercial Real Estate. ISBN-10: 0741443694 page 16

¹⁰ A. Eugene Kohn, Paul Katz. Building type basics for office buildings. ISBN 0471389234 page 4

¹¹ Three types of office space. http://www.yourcityoffice.com/articles/98/office-space_three-types.html

differentiates between building types.¹² Despite dozens of articles and definitions, experts can not completely agree on any one definition. So that the classifications are as follows:

Class A: These buildings represent the highest quality in their market¹³. The space should have a modern design, the finish work should be excellent, and the ability for high speed communications must be in place. For instance, an excellent location by the cross roads of two interstates might earn a designation of Class A, while a similar buildings downtown next to a brown field might be considered Class B. Class A properties tend to command the highest rental rates in a market.

Class B: offices are generally in good condition, and high rentable. They tend to command a lower rental rate than Class A properties, and may not have all bells and whistles of Class A property in the same area.

Class C: office properties generally are “dated” or have some functional obsolescence, such as poor layouts or lack of high speed computer line availability. These properties may be found in less desirable locations.

Types of Office Buildings: There are three types of office buildings: Low Rise, Mid Rise and High Rise. An office space is defined as a physical area that is used for office operations.¹⁴

- Low rise is considered to be any office building that is less than 7 stories.
- Mid rise is any office building between 7 and 25 stories.
- High rise is anything above 25 stories.

Classifications of Office Properties:

- Office Building – Any building primarily used for business functions.
- Medical Office Building – Office buildings containing space designated specifically for medical functions including medical labs, physician’s offices, dental offices and other medical functions.
- R&D Office Building – Office buildings that contain space used for research and development activities. These types of buildings may include specific lab space and storage areas.
- Institutional/Governmental – Offices used specifically for government agencies and purposes.
- Executive Office Suites – A “Business Center” that provides the tenants with space for their business and shared space that may be used for conference rooms, receptionists and mail service that are common between different businesses.

Retail buildings / Retail space: retail space defined as a separate class from Shopping Centers. Retail space is where the business of retailing to the customer takes place.¹⁵ Shopping Centers are groups of retail spaces combined in a single center and

¹²Classification of office building. <http://www.squarefeetblog.com/commercial-real-estate-blog/2008/07/06/a-guide-to-office-building-classifications-class-a-class-b-class-c/>

¹³ A guide to office building of class A. <http://www.squarefeetblog.com/commercial-real-estate-blog/2008/07/06/a-guide-to-office-building-classifications-class-a-class-b-class-c/>

¹⁴Office space. <http://www.yourcityoffice.com/articles/98/office-space-three-types.html>

¹⁵ Andrew Newman, Peter Cullen. Retailing: environment & operations. ISBN-13: 978-1861525338

managed as a single center. Retail space is often categorized either by the type of building that is housing space, such as a corner free standing building versus a big box store, or differentiated by the type of retail usage, such as automotive or prepared food, and is the last stop in the manufacturing chain where merchants sell products to customers.¹⁶

Major types of Retail Building:

- Free standing – a free standing or detached commercial property that is independent from other buildings around it.
- Pad Site – similar to a Free Standing Building, a Pad Site is a single user detached property. However, a pad site is an out parcel of a larger center. Typical pad sites are occupied by fast food, gas stations, or banks.
- Big Box Retail – any retail that required large amounts of space, such as grocery stores, department stores, computer store...Typically these stores can be reconfigured with temporary walls.
- Small Box Retail – stores include clothing stores, antique shops, gift shops, small appliance stores

Shopping centers: shopping center represents one of the most socially influential forms of real estate and existing every part of the world.¹⁷ They can be found in many different configurations. A shopping center has defined to be “a group of retail and other commercial establishments that is planned, developed, owned and managed as a single property. On-site parking is provided. The center’s size and orientation are generally determined by the market characteristics of the trade area served by the center”.¹⁸ A Shopping Center generally takes one of two forms. The first is an “Open Air Center”, which simply refers to a shopping center or complex that is not enclosed. Open Air Centers may have canopies connecting storefronts, and almost always have walkways in front of or between the storefronts, but the store fronts are not enclosed. The second most prevalent form of Shopping Center is the Mall. This form of Shopping Center has an enclosed walkway. Storefronts are often turned inside, away from the parking areas, to face the interior enclosed space. Although two primary forms exist for Shopping Centers, there are many centers that exhibit the characteristics of both. Some have stores facing inside, with an enclosed mall area or walkway, and have additional stores facing out in the Open Air fashion. These centers are hybrid forms.

Types of Shopping Centers:

- Mall forms: Regional center versus super regional center
- Open Air forms: Community center, power center, outlet center, festival center...

¹⁶Definition of retail space.http://www.ehow.co.uk/facts_6823485_retail-space-definition.html

¹⁷ John Robert White, Kevin D. Gray, Urban Land Institute. Shopping centers and other retail properties: investment, development. ISBN 0471040029 (0-471-04002-9) page 1

¹⁸ International Council of Shopping Centers Definitions

Industrial/Flexible Space: industrial property is often described as “heavy industrial”. Industrial property is a part of the commercial property sector.¹⁹ Heavy industrial typically refers to manufacturing, producing, processing or refining of products or raw materials. Additionally, heavy industrial often requires larger land parcels and accessibility to transportation such as rail lines or major highways.

Types of Industrial Property:

- Flexible or Flex Space
- Distribution
- Manufacturing
- Research and Development
- Self Storage
- Cold storage

Hospitality Properties: hospitality properties are those properties concerned with lodging, vacations and recreation. This category of commercial real estate includes hotels, motels, bed & breakfasts, casinos, convention center, golf courses, recreational cabins, spas and vacation rentals. The category may also include amusement parks, indoor water parks and similar uses.

Types of Hospitality Property:

- Hotel / Motel
- Casino
- Luxury Spa
- Timeshare Complex
- Golf Course
- Camp Ground
- Amusement Park / Water Park / Indoor Water Park

Multi-Family Property: institutional lenders such as commercial banks, insurance companies and government regulatory agencies, generally classify any residential rental property with five or more rental units as a multi-family property.²⁰ Multi-family housing can simply be defined as any building with more than one residential unit. Any apartment building or apartment complex falls into category of multifamily housing. Realtors and mortgage companies separate multifamily housing into two primary groups.

Types of Multi-Family Property:

- Conversion
- Duplex or Triplex
- Garden Apartments
- Mid Rise

¹⁹Definition of industrial property. http://www.ehow.com/list_6762759_industrial-property-types.html

²⁰ Thomas J. Lacier. How to Find, Buy and Turnaround Small, Mismanaged Rental Properties for maximum profit. ISBN-10: 0945343094 page 10

- High Rise
- Condominium
- Cooperatives

Farm and Ranch Property: commercial farms growing wheat or corn... and commercial horse facilities do not easily fit into any other form of commercial real estate. Many of these properties require commercial loans, and many are used as a primary business for the owners.

Types of commercial farm uses:

- Commercial boarding facility
- Horse training
- Rider training
- Breeding farm / Animal Sales
- Commercial Agricultural Farms / Agribusiness

Vacant developable land: vacant land can refer to any size vacant property, from a single in-town lot to a several hundred acre parcel. Vacant land must be currently undeveloped or planned for redevelopment.²¹

Transaction: a real estate transaction is the process whereby rights in a unit of property (or designated real estate) is transferred between two or more parties, e.g. in case of conveyance one party being the seller(s) and the other being the buyer(s). It can often be quite complicated due to the complexity of the property rights being transferred, the amount of money being exchanged, and government regulations. Conventions and requirements also vary considerably among different countries of the world and among smaller legal entities (jurisdictions). In more abstract terms, a real estate transaction, like other financial transactions, causes transaction costs.²²

3.4 Real estate transactions:

Subdivision: is a large piece of land that has been divided into smaller parcels on which homes will be built. Like most aspects of real estate, subdivisions vary from state to state. If it is used for housing it is typically known as a housing subdivision or housing development, although some developers tend to call these areas communities. Subdivisions may also be for the purpose of commercial or industrial development, and the results vary from retail shopping malls with independently owned out parcels, to industrial parks.²³

Conveyance: is the legal term for the process by which ownership of property is transferred from one person to another. A conveyance is a deed that conveys a house from the vendor (seller) to the buyer. A typical conveyance transaction contains two

²¹SubhrajitGuhathakurta, Herberger Center for Design Excellence. Integrated land use and environmental models. ISBN/ISSN: 3540005765 page 255

²²Transactions of real estate. <http://www.frllaw.com/realestate.html>

²³Peterson's, Therese DeAngelis. Master the Real Estate License Exams 7th Edition. ISBN: 0768928206 page 84

major landmarks: the exchange of contracts (whereby equitable title passes) and completion (whereby legal title passes). Conveyance occurs in three stages: before contract, before completion and after completion. A buyer of real property must ensure that he or she obtains a good and marketable 'title' to the land; i.e., that the seller is the owner, has the right to sell the property, and there is no factor which would impede a mortgage or re-sale. A system of conveyance is usually designed to ensure that the buyer secures title to the land together with all the rights that run with the land, and is notified of any restrictions in advance of purchase. In most mature jurisdictions, conveyance is facilitated by a system of land registration which is designed to encourage reliance on public records and assure purchasers of land that they are taking good title.²⁴

A mortgage loan: the most mortgage loan is granted by lending institutions, such as savings banks, commercial banks, life insurance companies, credit unions, mortgage banking companies. However, the word mortgage alone, in everyday usage, is most often used to mean mortgage loan. A home buyer or builder can obtain financing (a loan) either to purchase or secure against the property from a financial institution, such as a bank, either directly or indirectly through intermediaries. Features of mortgage loans such as the size of the loan, maturity of the loan, interest rate, method of paying off the loan, and other characteristics can vary considerably. In many jurisdictions, though not all (Bali, Indonesia being one exception, it is normal for home purchases to be funded by a mortgage loan. Few individuals have enough savings or liquid funds to enable them to purchase property outright. In countries where the demand for home ownership is highest, strong domestic markets have developed.²⁵

Mortgage loan types²⁶

Mortgage banking companies: originate mortgage loans with money belonging to insurance companies, pension funds, and individuals, and with funds of their own. They make real estate loans with the intension of selling them to investors and receiving a fee for servicing the loans.

Mortgage brokers: are companies that originate loans with the intention of brokering them to wholesale lending institutions.²⁷ They are intermediaries who bring borrowers and lenders together. Mortgage brokers locate potential borrowers, process preliminary loan applications, and submit the applications to lenders for final approval.

- **Interest:** interest may be fixed for the life of the loan or variable, and change at certain pre-defined periods; the interest rate can also, of course, be higher or lower.
- **Term:** mortgage loans generally have a maximum term, that is, the number of years after which an amortizing loan will be repaid. Some mortgage loans may

²⁴Definition of conveyance. <http://www.justlanded.com/english/UK/UK-Guide/Property/Conveyancing>

²⁵Daniel F. Hinkel .Practical Real Estate Law. ISBN-10: 1418048410 page 250

²⁶ Fillmore W. Galaty, Wellington J. Allaway, Robert C. Kyle. Modern real estate practice in Ohio. ISBN-10: 0884629848 page 271

²⁷Definition of mortgage brokers. <http://www.realestateabc.com/loanguide/typesof.htm>

have no amortization, or require full repayment of any remaining balance at a certain date, or even negative amortization.

- Payment amount and frequency: the amount paid per period and the frequency of payments; in some cases, the amount paid per period may change or the borrower may have the option to increase or decrease the amount paid.
- Prepayment: some types of mortgages may limit or restrict prepayment of all or a portion of the loan, or require payment of a penalty to the lender for prepayment.

Stakeholder: real estate agent as stakeholder: it is usual a land transaction for the real estate agent engaged by the seller to act as the stakeholder for the parties. Generally, a stakeholder is a third party chosen by two or more persons to keep money on deposit, the right to money which may be contested between them.²⁸ The situation often arises when two person bet on the outcome of a future event and have a third person act as the stakeholder.²⁹ Any person nominated by the parties may be a stakeholder, unless legislation provides otherwise. The stakeholder will not be a party to the contract but will acknowledge the receipt of the deposit and accept the position of stakeholder usually by signing the contract. Acceptance of the deposit by the stakeholder will discharge a buyer's contractual obligation to pay the deposit under the contract, but acceptance will not affect the seller's right to terminate if the deposit has been paid late. Even though the seller's agent is acting as the stakeholder for the transaction, the agent does not receive the deposit on the seller's behalf. As a stakeholder, the real estate agent will be contractually bound to both the seller and buyer to hold the deposit and pay it to the party entitled at the conclusion of the transaction. Traditionally, a stakeholder is an independent party. The fact a real estate agent previously appointed as the agent for the seller will act as stakeholder in most land transactions reflects the practicality and convince of the agent. The agent as stakeholder will in no way be acting for the seller and will be independently liable for the payment of the deposit held to the party entitled. As a stakeholder, the real agent will have various duties and obligations to the parties the most significant being to hold the money safely until called upon to make payment to one of the parties. Real estate agents who also act as stakeholders are also required to comply with statutory requirements concerning the payment and holding of money belonging to others. The stakeholder's relationship with the buyer and seller will be contractual in nature having its source in the contract and the acknowledgement to hold the stake. No relationship of trust is created between the parties which is significant when considering the obligations and duties of a stakeholder. If the stakeholder was considered to be trustee of the money, the stakeholder would be required to account for any interest earned on the money and would be required to reconstitute an account even though the money had been paid to one party.³⁰

3.5 Services provided by the real estate industry:

²⁸Definition of stakeholder. <http://www.sutton.com/dictionary/stakeholder>

²⁹Stakeholder. <http://www.investordictionary.com/definition/stakeholder>

³⁰ Sharon Christensen, W. D. Duncan, Tamara Walsh. Professional Liability and Property Transactions. ISBN 1 86287 511 1 page 275

Brokerage: is a person licensed to act independently in conducting a real estate brokerage business.³¹ Real estate brokerage is bringing together parties (the buyer and the seller or the landlord and the tenant) in a real estate transaction. The broker (or sales associates working for the broker) usually acts as an agent on behalf of the party or parties in negotiating the sale, purchase, or rental of the property. This is the most visible activity performed by real estate professionals, and most people who hold real estate sales or broker licenses are engaged in this type of service.

Appraisal: can be defined as the “the act or process of developing an opinion of value”.³² Appraisal is the process of estimating the market value of real estate. Appraisals are needed for many types of real estate activities, including lending, tax assessments, and insurance adjusting. Some appraisers are employed by lenders and government agencies, others work as independent appraisers. Appraisers now need to be licensed or certified to perform appraisals for federally related property transactions.

Counseling: real estate counselors provide independent advice to individuals and firms regarding the purchase and use of real estate investments. Counselors need an extensive knowledge of real estate, tax laws, and investing.

Education: real estate education includes instruction for both real estate practitioners and the general public. Instruction may take the form of courses or seminars and can be held at universities, community colleges, private schools, and business organizations.

Financing: most real estate transactions require financing. A growing number of real estate brokers are also mortgage brokers and may assist in finding real estate financing for buyers.

Property development: real estate development involves dividing larger parcels of land (called subdividing) and the construction of improvements such as roads and utilities. Buildings constructed by developers can range from single family homes to large shopping centers or offices complexes.

Property management: many investors in larger income-producing properties such as large apartment buildings and shopping centers may not have the time, interest, or expertise to take care of the daily operation of these buildings. They hire property managers to run the property for them and maximize the income flow while maintaining the property value. Property managers are typically responsible for finding tenants, collecting rents, and ensuring that the property is maintained.

3.6 Characteristics of real estate:

Unlike other commodities, real estate has unique characteristics that affect its value.

Physical characteristics of real estate:

Immobility: an important and unique characteristic of real estate is immobility. Even though a property’s minerals, topsoil, and other substances can be moved, the geographical location of the property always remains the same.

- Because the location for real estate is fixed

³¹ Charles J. Jacobus. Real Estate Principles Eleventh Edition. ISBN-10: 0324787499 | ISBN-13: 978-0324787498 page 325

³² Joseph F. Schram, Jr .Real Estate Appraisal. ISBN 978-1-887051-84-2 page 1

- The location of real estate is an important factor in determining its value.
- Real estate markets are local, and real estate professionals need to be familiar with the market in their area
- Land is easily regulated and taxed by local governments.
- The value of real estate is heavily influenced, either favorable or unfavorable by changes in the surrounding area.
- An exact legal description of the property's location, including definite reference points is required when title to property is transferred.

Indestructibility: the characteristic of indestructibility is also referred to as "durability". Land cannot be destroyed or worn out. Its appearance may be altered but it continues to exist. Also, improvements to land, such as buildings, usually have a long life. Because land is indestructibility the following effects occur:

- Real estate investments are relatively stable and long term.
- Land cannot be depreciated because it does not wear out.
- Land is not insured by property insurance because it cannot be destroyed.

Non-homogeneity: means that no parcels of real estate are exactly alike. Differences between parcels of real estate include the type of buildings located on the property, the size and shape of the property, the type of minerals or soil on the property and so on. Even if two parcels of real estate look exactly alike, they always will be different because of their unique locations.

- Because of this lack of standardization, real estate professionals must work very hard to match a property to a buyer's needs.
- Because each property is different, it takes buyers longer to select and purchase real estate.

Economic characteristics of real estate:

Scarcity: means that the supply of real estate is limited. There is no shortage of land for use; however, there frequently is not enough in certain popular areas to meet demand. A consequence of this characteristic is that a strong demand in an area will increase property values. The owner of property in a highly desirable area will have an almost monopolistic advantage.

Modification: the economic characteristic of modification (also called "improvements) states that changes in a parcel of land affect its value. The effect may be either "favorable or unfavorable". For instance, an apartment building owner has the grounds around the building landscaped. This change (modification) to the property probably will increase its value.

Area preference: refers to people's preference for certain areas. Area preference, and therefore the property's location are considered the most important economic characteristic of real estate. For instance, a family looking for a house finds an area that has good schools, a low crime rate and other favorable factors. They will be agreeable to making a higher offer to the seller of a house in this area.

There are 2 main consequence of this characteristic:

- Prospective purchase of property will attach great importance to the surrounding area when making their decision and determining the amount they are willing to pay.
- The preference for certain areas that meet the needs of prospective purchasers will affect the amount they are willing to pay and therefore the value of the property.³³

Permanence of investment: means that investments in real estate are long-term. This is primarily due to the physical characteristics of “immobility and indestructibility”. Because land is immobile, investment in property becomes fixed; it cannot be moved if the market becomes more favorable elsewhere. Also, because real estate transactions are complex and involve large amounts of money, they are not made as frequently as other transactions and require more time to consummate. Therefore, real estate investment decisions should be viewed as long-term investment decisions.

The real estate market: real estate can be bought and sold like other types of commodities. The real estate market is the mechanism whereby real estate is bought and sold, prices can fluctuate up or down, and the supply and demand for the product is always changing. To be effective in real estate, it is important to understand the characteristics of the real estate market and the forces that affect the supply and demand for real estate.

3.7 Characteristics of the real estate market:

Supply/Demand and Price: in the real estate market, supply and demand interact to affect property prices. As in any market, supply and demand are continually adjusting and this causes changes in the price of property.

- Prices increase when demand increase or supply decreases. This is referred to as a “seller’s market”.
- Prices decrease when demand decrease or supply increases. This is referred to as a “buyer’s market”.



Figure 1: Relationship between Supply, Demand and Price – Source: Gerald R. Cortesi Mastering Real Estate Principles

³³Edith Lank. Modern Real Estate Practice in New York: For Salespersons and Brokers. ISBN-10: 0793143632 page 242

Local market: one of the physical characteristics of real estate is “immobility”. Because property cannot be moved around to satisfy demand in different areas, the real estate market is very local in character. Markets may differ among cities, or even among different sectors of the same city. Because of this, each local market must be considered separately.

Market Segmentation: in addition to being localized, the real estate market may be segmented, that is, several different markets may operate in the same area. Market segmentation may occur in several different ways, including the type of property and the price range for property. For instance, the market for houses priced from 100,000\$ to 200,000\$ may be different from the market for house priced above 200,000\$; or the market for residential property in a city maybe different from the market for office buildings.

Segmentation of space markets:³⁴

The immobility of real estate: users in the market for built space generally need a rather specific type of space in a rather specific location. A law firm needs an office building, not a restaurant or retail shop or warehouse, and it may need the building to be in downtown. The supply side of the space market is also location and type specific. Buildings cannot be moved. Because both supply and demand are location and type specific, real estate space markets are highly segmented. That is, space markets tend to be local rather than national, and specialized around building usage categories.

Asset market – while the space market is the most fundamental type of market relevant to the real estate business, the asset market is of equal importance. The real estate market is the market for the ownership of real estate assets. Real estate assets consist of real property, that is, land parcels and the buildings on them. Therefore, this market is often referred to as the property market.

Market Adjustment: as the forces of supply and demand change, the speed at which prices respond is determined by the standardization and mobility of the product. Because real estate is non-mobile and non-standard, the price of real estate is slow to adjust. Also, the construction of improvements to real estate takes longer to complete, slowing increases in supply.

3.8 Factors affecting the supply of real estate:

The supply of labor and construction materials: it takes significant amounts of labor and materials to construct a house. Many skilled laborers, such as carpenters, masons, plumbers, etc... are required for the construction. The availability of skilled labor and materials will affect the supply of housing that can be built.

Government controls: the federal government and its many agencies affect the supply of real estate through regulatory controls. These controls can affect the amount of money available for estate loans, which are critical for building new structures. For instance, changes to real estate taxation can affect the desirability of investing in real estate. A city may offer tax incentives in a depressed area thereby increasing the

³⁴ David Geltner. Commercial real estate analysis and investments. ISBN-10: 0324305486 | ISBN-13: 978-0324305487 page 4

availability of investment funds to build new commercial buildings. Local government controls real estate through zoning and building ordinances. These also influence the supply of housing. For instance, a suburb changes its zoning rules to require larger lot sizes for houses. In this case fewer houses can be built; or town designates an enterprise zone with low real estate taxes to attract commercial developers. This will increase the supply of commercial buildings.

Government financial policy: the large currency amounts in real estate transactions require the availability of mortgage money at a reasonable cost. The supply and cost of financing therefore are important factors in determining the quantity and timing of new additions to real estate supply. These are significantly affected by government economic and financial policy. Construction of additional housing (supply of real estate) diminishes when the cost of financing is high. For instance, the government could increase spending programs such as aid to low-income housing. This might increase the supply of housing; or increased government spending could raise interest rates because the government needs to borrow money. This in turn might decrease the affordability of loans and the ability of people to purchase housing.

Factors affecting the demand for real estate: while the factors that affect the demand for real estate are the same as those that affect the demand for most other commodities, real estate markets are generally local (because of the characteristic of immobility). Because of this, local demand factors will influence the market.

Population: it should be obvious that if the population increases so will the demand for housing. Other than the number of people, another major factor is the “demographics” of the population. The term “demographics” refers to the characteristics of the population: age distribution, family size, and population movements. Demographics affect not only the total demand for real estate but also the type of housing demanded. For instance, as children of the baby boomer generation reached adulthood, the demand for apartments increases. As they grew older and had families of their own, the demand for single-family housing increased.

Employment and Wage levels: employment and wage levels directly affect people’s ability to pay for real estate. This is especially important for a durable commodity such as real estate because people have the option of deferring the purchase to a later time if they are fearful of losing their jobs. For instance, people may decide to rent and put off purchasing a house until their income rises or they are more certain of employment.

Vacancy levels: a vacancy rate is the percentage of all units that are not occupied. Vacancy levels indicate the need and demand for property in an area, and there may be several rates based on the type of property. For instance, a town may have a vacancy rate of 5 percent for apartment units, 20 percent for retail space, and 20 percent for office space; or if the vacancy rate for apartment units has recently fallen from 6 percent to 3 percent, there is increasing demand in this section of the market.

Insurance for business property: buildings being rented or used for commercial purposes are not covered by homeowner's policies. The general types of coverage include:

- Loss to buildings and other structures
- Business interruption for earnings loss as a result of damage to the property
- Loss of contents and other personal property
- Losses from liability

Lender's insurance requirements: a lender usually will require that a borrower carry extended insurance on the property securing a loan. The reason is to safeguard the lender's collateral for the loan. The loan agreement usually requires the first year's policy premium to be prepaid by the closing date, and the policy must be kept in force during the term of the loan. The lender's name is in the policy with owners, and any checks issued by the insurance company for property damages will be payable to both the owner and the lender.³⁵

Insurance in leases: the property owner bears the risks of damage to its property, and the liabilities for injury to people on the property, when the owner becomes a landlord; it shares those risks and liabilities with its tenant. Several provisions of their lease will allocate their obligations with regard to those risks. After that allocation is made, the landlord and tenant will turn to the insurance provisions to assure one another that each is able to perform its allocated obligations. The insurance provisions are as important to those issues as the guaranty is to the payment of the rent. The insurance follows the allocated obligations. The property insurance follows the landlord's and tenant's obligations after the premises are damaged. The most important risks in leases that can be addressed by insurance are the risks of damage to the premises or the project of which they are a part, and injury to third parties or their property.³⁶

Property Insurance: insurance is at the root of the relationship among the repairs and maintenance, damage and destruction, and surrender provisions of most leases. All these provisions may prescribe the condition of the premises at the end of the term. If the surrender provision requires the tenant to return the premises in their condition at the time they were delivered except for ordinary wear and tear and property damage, and the damage and destruction provision requires the tenant to repair the premises after damage, and the maintenance provision requires the tenant to maintain and repair the premises, then the lease, taken as a whole, does not tell landlord and tenant who should repair the premises after an accident fire caused by the tenant.³⁷

Object classification for property:

- **Buyers**

³⁵Gerald R. Cortesi. Mastering Real Estate Principles. ISBN-10: 0793141168; ISBN-13: 978-0793141166

³⁶Cassidy & Verges. The Role of Insurance in Commercial Leases.

³⁷Mark A. Senn. Commercial real estate leases: preparation, negotiation, and forms. ISBN-10: 0735505462 | ISBN-13: 978-0735505469 chapter 10

To stay (no house or new needs), production, factory, trading services.

To investment: business of property

Preservation of capital

- **Tenants – renters**

Offices, government offices, branches and transaction offices, geographically

Business services trade

Rent for production, business: industry, factories, space for production. Who are they – what are characteristics

Rent to stay: young married couple, workers, students, foreigners, public affairs, the accommodation for people who do not have house or want to improve their life

- **Credit – mortgage**

Commercial banks

Investment and financial fund

Insurance Company

3.9 Property market for monetary policy and financial stability:³⁸

Real estate prices and monetary policy transmission: movements in property prices could affect aggregate demand and economic activity in various ways. First, rising property prices lead to more optimistic expectations of the returns on property investment. As a result, builders start new construction and market demand in property-related sectors increases. Second, rising house prices induce households to increase private expenditure and therefore provide a big support for private consumption. Third, changes in commercial property prices may significantly change the investment decisions of the firms are financially constrained.

Similarly, movement in house prices influence the financial behavior of homeowners and would be home purchasers. The role of real estate prices in the conduct of monetary policy has attracted much attention among researchers and policymakers in recent years. There has been extensive evidence that property price movements have a large impact on private consumption and the real economy. The commercial property sector seems to have a larger impact on the real economy, reflecting the fact that it is more important in affecting the investment decisions and financial conditions of buyers. Besides, the national difference suggests that the role of property prices in monetary transmission might be influenced by local factors.

Real estate is an important investment asset in the economy. The profitability of property investment depends on the ratio between property prices and property replacement cost. The impact of property prices on construction depends on the importance of the real estate sector in the economy as a whole, the elasticity of property supply and credit conditions. The link between property prices and aggregate demand suggests that the monetary authorities can benefit from monitoring developments in property markets. The view that policymakers should respond to excessive increases in property values which are manifestations of excess demand in the economy as a whole. In particular, monetary policymakers need to identify the sources and nature of property price fluctuations in order to understand their implications for price stability and the

³⁸Monetary stability, financial stability and the business cycle: five views”, BIS Papers, no 18

general economy, and then to formulate the appropriate policy response. Real estate prices and financial stability, bank lending is the primary source of real estate funding; not surprisingly, there are close connections between real estate prices and bank credit. On the one hand, sharp falls in property prices can lead to a large-scale deterioration in asset quality and in the profitability of the banking industry, particularly for the banks that are deeply involved in property or property-related lending businesses. They also undermine the value of bank capital, reducing the bank's lending capacity.

On the other hand, banks' lending attitude has important implications for property prices. Bank credit to property buyers and constructors may change the balance between the demand and supply side and cause property prices to fluctuate. Movements in real estate prices can have a substantial impact on banking performance. In particular, falling property prices may lead the banking sector into distress. For instance, through increases in bad loan expenses in real estate loans, or through deterioration in the financial conditions of borrowers and banks themselves, or indirectly through a contraction in financial transactions and in economic activity.³⁹

Vietnam Commercial Property Market:⁴⁰ the Vietnam commercial property market is currently recovering from the global financial market crisis. Demand and availability varies across the different grades of office space but further increases in confidence of local and foreign companies will cause upward pressure on the Vietnam commercial property market. Following is information on the Vietnam commercial property market and the comprehensive services provided by Healy Consultants:

1. In Vietnam, foreigners are permitted to invest in the Vietnam commercial property market by forming i) a joint venture company with a local partner ii) a wholly foreign-owned company iii) a Build, Operate and Transfer company or one of its variants.

2. Real estate agents in Vietnam's two biggest cities are optimistic about property prices with almost half believing they are set to see a mini boom in coming months. A survey by research firm Vietnam Report, shows that 43% of agents in Hanoi and Ho Chi Minh City said that real estate prices in big cities would surge, while the rest said they are likely to remain unchanged.

3. Savills Vietnam indicates that the commercial rental market is near bottom. It is predicted that Grade A rentals would start to increase in early 2011 at a steady pace and the Grade B rate would take longer to recover because of ample supply.⁴¹

4. Grade A office supply is low according to Savills and average rents in 2009 saw a significant decline of 19% quarter-on-quarter (q-o-q). Lower grade property has been more severely affected. However, Office supply is expected to grow significantly in Ho Chi Minh City by 2011 with new office blocks in various Ho Chi Minh City areas. The main growth areas for new office buildings in HCM City are in suburban areas such as District 7, Binh Thanh and Tan Binh.

5. The legal atmosphere in Vietnam has increasingly been put under the microscope as they step on to the world stage; this has led to improving legal framework and

³⁹Case, Bradford, William Goetzemann and K Geert Rouwenhorst (2000): "Global real estate markets – cycles and fundamentals", NBER Working Papers, no 7566

⁴⁰Vietnam commercial property market. <http://www.asiapropertyconsultants.com/residential-real-estate-in-asia/Vietnam/Vietnam-commercial-property-market.html>

⁴¹ Savills Co. commercial rental market report

greater transparency. The foreign investment environment has matured and will continue to assist the real estate market in Vietnam.

6. With few malls in Vietnam, there is limited competition in this retail sector for global brands. However, with a relatively young population and the changes to regulations governing foreign ownership of Vietnam commercial property, popular international brands are being attracted to the opportunities in Vietnam.

Besides, the rising inflation, oversupply, and government efforts to curb lending, Vietnam's property market is suffering through the aftermath of a boom gone bust. One of the biggest threats facing the sector is a slowdown in lending. Real estate credit has sharply declined since November 2010, when the State Bank of Vietnam (SBV) began its monetary tightening cycle. In addition to curbing lending through monetary tightening, the government has listed some real estate in the category of assets with the highest risk for commercial banks, making it more difficult for state banks to extend loans to new projects, and exacerbating an already tight credit market. To source financing independently of banks, developers are now seeking partners as joint venture partners or for the sale of projects in their totality to a third party, retail and office space or of residential units. The current shortage of bank finance presents significant advantages for cashed-up property investors. The Vietnamese economy is one of the fastest-growing in South East Asia but, in recent years, it has been characterized by overheating tendencies, such as high inflation and a large trade deficit. Inflation is the highest in the Asia Pacific in 2011. The government is responding to these problems and is also looking to contain any effects of a less conducive global environment, with the economic turmoil in the US and the euro zone. There is a trend for more mergers and acquisitions (M&A). Investors and developers from Vietnam are becoming more active as buyers, where previously foreign groups with large capital availability were the main players. M&A are still hampered by the country's underdeveloped legal framework, complex regulatory procedures and a generally low real estate transparency. The Da Nang commercial property market is set for growth, due to its growing importance as a tourist and commercial centre, its central location, low real estate prices and social stability. In 2012, rental increases there are expected to exceed those of HCMC and Hanoi across the board.⁴²

⁴² Vietnam Real Estate Report Q1 2012. <http://www.marketresearch.com/Business-Monitor-International-v304/Vietnam-Real-Estate-Q1-6690738/>

4. Analysis of Real Estate Market in Vietnam

4.1 Vietnam Real Estate:

Vietnam population in total was 85.789.573 people. Vietnam has the third population in Southeast Asia and the thirteenth largest one the world. Hanoi and Ho Chi Minh City are two largest cities with approximately 7 million inhabitants in each. Those living in rural areas make up for 70% of the whole population but the number are plummeting due to rapid urbanization and migration into big cities. Besides, Vietnam joins the WTO⁴³, has attracted many investors from foreign to Vietnam about the demand of housing, manufactories, offices... The supply of the property market consists of property owners wanting to sell or reduce their holdings or real estate assets, while the demand of the market consists of investors wanting to buy or increase their holdings of real estate assets. The Vietnam commercial property market is currently recovering from the global financial market crisis. Demand and availability varies across the different grades of office space but further increases in confidence of local and foreign companies will cause upward pressure on the Vietnam commercial property market. The real estate price boom in 1993 and 1994 is when the economy has changed positively. GDP growth in 1993 increased to 8.1% and in 1994 increased 8.8% and in 1995 increased 9.5%. The growth of GDP⁴⁴ at that time made many people believed in the economy boosted the real estate price increasingly. At the period of time, the inflation reduced relatively low after increased very strong in 1990 and 1991. The inflation in 1993 only increased 8.5% and in 1994 increased 9.5%, these inflation rates were very low compared with average over 50% per year in 10 years ago. At that time, the unemployment reduced very low because of increased economy. The price of real estate in Hanoi capital and Ho Chi Minh City from urban areas increased high. The transactions in the market at that time increased very strong. There were many new urban areas established. After “fever”⁴⁵ 1993 - 1995, the real estate market in Vietnam stepped into difficult stage from 1995 to 1999 by changes of the economy. The decrees and policies have changed by government made many investors had to sell their lands to pay money back for banks. But the main factor impacted to real estate market in Vietnam was changed by macro-economy. GDP in 1995 still kept in high growth with 9.5%, but the inflation came back with 16.9%. The growth in export and import has declined. At the time of inflation, monetary policy was tightened and made interest rate increased very high. The growth of credit in 1995 only was 24%; in 1996 was 17.57%, low compared with 40% in 1994. Also at that time, GDP increased low from 1996 and lowest with 4.8% in 1999. After difficult stage around 5 years, real estate market in Vietnam has changed in 2000 and boosted in the stage 2001 to 2002. The primary reason rose from recovery in the economy and FDI has improved. With policy for Vietnamese overseas could buy houses, flats, apartments and office space... expected big amount of FDI could be brought into nation to invest real estate. The economic growth in that time has increased back. In 2000, the growth of GDP achieved 6.8%, exceeded much more than 4.8% in 1999, and therefore the economic growth has

⁴³ World Trade Organizations

⁴⁴ Gross Domestic Product

⁴⁵ The demand in real estate increases significantly exceeded the expectation

recovered. Additionally, the inflation in 2001 and 2002 reduced very much. These made many people in order to expect for recovering in the economy. In Hanoi and HCM City, the price of real estate increased high, somewhere increased high and highest at the middle of 2001. The average of price in these cities, the price of land fluctuated around 10-15 million VND/m² (in the alley) and 25-30 million VND/m² (at the surface of road). The price of real estate in Vietnam at that stage increased at the high level compared with the world, higher than the big cities of industry developing countries. The reason was by the economic growth increased high caused the demand of land for housing, office buildings and retail spaces increased as well. There were many industrial estate, office buildings and retail spaces have formed and developed, Hanoi and HCM City suffered the forces about housing, office buildings and retail spaces, in the old streets, after many years could not be expanded, caused lack of housing, office buildings and retail spaces. The speculation in commercial property market increased significantly. The policies about the land law from government. Many people expected on high potential strength of commercial properties. The big source of capital of citizen, while the price of gold was estimated at the low rate and many people thought that the investment for gold would not be efficient. Besides, the detailed information about the projects, and the price of commercial property was not enough. After the period of time changes, the price of real estate in Vietnam stepped into the most difficult stage. In 2003, the transactions of real estate decreased 28%, in 2004 decreased 56% and in 2005 decreased 78%. In Hanoi and HCM City, the price of real estate in 2004 around 20 million VND per square meter, then in 2005 decreased at 15 million VND⁴⁶ per square meter. The reason could be explained by the price of real estate in Vietnam increased high caused the demand of real estate decreased. Many people expected the price of real estate would be continuing decreased, to buy would be more efficient. The demand for commercial property market with office buildings and retail spaces decreased. The price of gold still kept increasing from 2004 to the presence. While the price of real estate was evaluated high but the transactions in real estate only counted by gold, so that the price of gold increased too high caused the real estate market suffered the most difficult stage. Besides, the government encouraged constructing the complexes, the villas, and the industrial areas created the big difference between supply and demand. Moreover, the supply of real estate increased quickly. At that time, the investment was focused on apartments with the profitable expectation from investors. The government applied many measures in order to avoid the speculation from real estate. In 2008, the global economy experienced formidable changes with the global crisis, many top financial banks were bankrupted caused the unemployment increased high, the economic growth decreased and so on. In Vietnam, the economy suffered many influences from global crisis. GDP of 2008 only reached 6.23% growth, the lowest since 1999, the year when Vietnam suffered the effects from Asia's 1998 financial crisis. Q1/2008, increased inflation at 16.37% compared with the same period last year. Moreover, trade deficit reached in many year of that import turnovers increased 40% compared with last year. The government applied method in the stock market led to an inflow of capital into the properties markets and the properties market showed signs of a bubble that was really to burst. Q2/2008, GDP grew with 7.4% but the signs of a slower growth were cleared by government put down strong method to solve the problems, matters of high inflation,

⁴⁶ Vietnam Dong (currency)

exchange rate and trade deficit. Q3/2008, the inflation slowed down, aided by lower world material prices. FDI⁴⁷ and lower trade deficit are two the main reasons for a recovery in GDP growth. Q4/2008, the financial crisis quickly expanded to other fields. The demand of materials and products dropped, world prices kept on further decreases. At that time, Vietnam's exchange rate policy was inflexible caused Vietnam's export dropped with 5% while import increased back led to a higher trade deficit. Until the first half of 2008, inflation was the number 1 problem of Vietnam economy with three factors: pushed costs, pulled demand and increase in money supply. At that time, the USD lost its value against many currencies and increases in many materials, goods and products. As mentioned above, many factors impacted to Vietnam economy, and the real estate market changed as well.

4.2 Analysis of Ho Chi Minh City's Market:

4.2.1 . Introduction about Commercial Property Market in HCMC:

Ho Chi Minh City, formerly named Saigon is the largest city. The city center is situated on the banks of the Saigon River. The metropolitan area, which consists of the HCM City metropolitan area, is populated by more than 9,000,000 people making it the most populous metropolitan area in Vietnam. HCMC⁴⁸ plays a main role in economic, financial, commercial and services hub of the country. In 2005 the city accounted for 20.2% GDP, 27% industrial outputs and 34.9% FDI projects in Vietnam. The investment is trended to high-tech, services and real estate projects. In 2007, the import-export turnover through HCMC ports accounted for \$36 billion, equivalent to 40% of the national total, of which, export revenue reached \$18,3 billion (40% of Vietnam's total export revenues). And the city contribution to the annual revenues in the national budget increased by 30%, that is 20.5% of total revenues. In 2009, the GDP per capita reached to \$2,800, compared to the country's average level of \$1,042. In 2005, developers rushed to get as many condominium units onto the red hot HCMC market as possible. They are fuelled by support from local bank and it proved a big boost to the local property market. Most of them are the speculators. In 2007 the estimated capital injection in Vietnamese property market reached \$5 billion, mainly from foreign direct investment. Property in HCMC in some districts was equally buoyant with average price more than tripling compare to the period from 2006 to 2007. However in 2008 the market was slowdown because of unsustainable growth. Besides, higher construction costs due to global oil price hikes and resultant construction material costs, coupled with the governments tight monetary policies aimed at curbing inflation hit hard and transactions plummeted. As the price was inflated by the speculators, the property market was over supplied and become struggled. In 2007 the estimated capital injection into the Vietnamese property market reached US\$5bn, mainly foreign direct investment (FDI). Property in HCMC was equally buoyant with average prices more than tripling from 2006 to 2007; and the luxury sector was been a key growth area. However, the beginning of 2008 marked a slowdown in what many had considered to be unsustainable growth. Higher construction costs due to global oil price hikes and

⁴⁷ Foreign Direct Investment

⁴⁸ Ho Chi Minh City

resultant construction material costs, coupled with the governments tight monetary policies aimed at curbing inflation hit hard and transactions plummeted. However, the city's fundamentals remained strong and demand high, particularly among HCMC's rapidly expanding office buildings and retail spaces; many of whom had been holding off stepping into the market while prices were so inflated by speculators.

Quarter	GDP growth rate (%)	Registered FDI (USD billion)	CPI (base year 2005 =100)	Vacancy rate		
				Grade A	Grade B	Shopping centers
Q1/08	11.5%	2.08	133.78	0.3%	0.1%	9.8%
Q2/08	9.6%	1.33	144.99	1.1%	3.4%	8.2%
Q3/08	10.1%	4.59	149.37	0.6%	4.6%	7.6%
Q4/08	11.2%	0.9	146.07	1.2%	6.4%	7.3%
Q1/09	4.0%	0.56	149.58	4.3%	6.7%	8.4%
Q2/09	4.8%	0.23	151.80	14.7%	13.4%	9.1%
Q3/09	8.5%	0.62	154.69	26.4%	15.2%	7.1%
Q4/09	7.0%	0.30	160.67	19.5%	13.6%	8.2%
Q1/10	5.8%	0.400	167.65	18.6%	10.6%	7.3%
Q2/10	6.4%	0.458	169.07	21.3%	10.9%	8.7%
Q3/10	7.2%	0.98	171.78	30.1%	11.2%	7.5%
Q4/10	7.3%	0.53	180.13	38.1%	14.0%	9.2%
Q1/11	10.3%	1.12	190.5	39.2%	15.1%	8.6%
Q2/11	9.9%	0.4	203.17	35.4%	15.8%	14.5%
Q3/11	10.0%	0.26	209.26	30.7%	18.0%	13.0%
Q4/11	10.3%	0.32	211.86	24.6%	17.3%	23.2%

Table 1 - Own computations: Collected data of HCMC market – source: CBRE/ Vietnam, General Statistics Office of Vietnam

4.2.2 . Impact of GDP growth upon Commercial Property Market in HCMC:

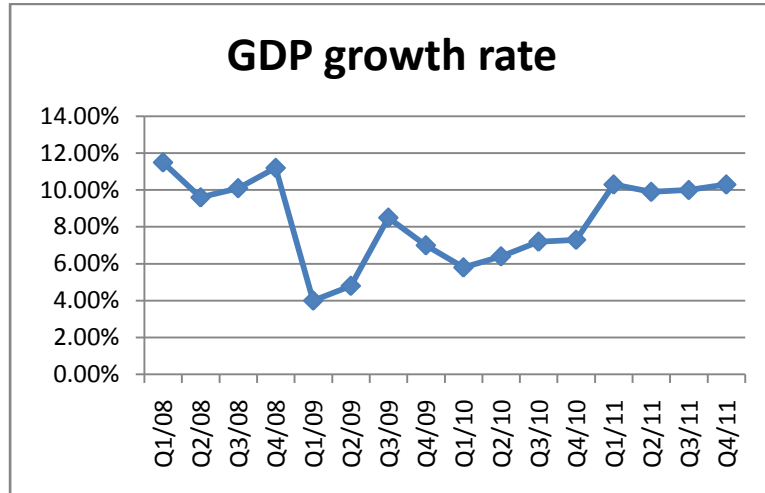


Figure 2 – Own computations: GDP growth in HCMC – source: CBRE/ Vietnam

In 2008, GDP growth rate of HCM City reached 10.2%, by boosting in export, and high investment from FDI. But in 2009 to 2010, the growth rate decline to 6% due to lack of investment and HCMC suffered by slow economic growth compared to Vietnam (4%) and higher in 2010 of 7%. The vacancy rate of Grade A in the first quarter in 2010 decrease reflected the rent reduced. But in the following quarters, the vacancy rate of Grade A increase significantly, the reason by the GDP growth slowed down compared with previous quarters. However in 2011, the city GDP rose again, as the market of gold and foreign currencies. Higher demand for them lead to higher GDP growth, however this also lead to higher inflation. As mentioned above, the inflation in Q3 of 2011 was at 18%. Despite the fact that economic growth in HCMC was high in 2011, the commercial market was still quite. The government decided to devalue the value VND to improve export, and high interest rate (17% and 20% while borrowing on credit card) discouraged the people purchasing power as well as speculators in the property market.

4.2.3 . Impact of FDI upon commercial property market in HCMC:

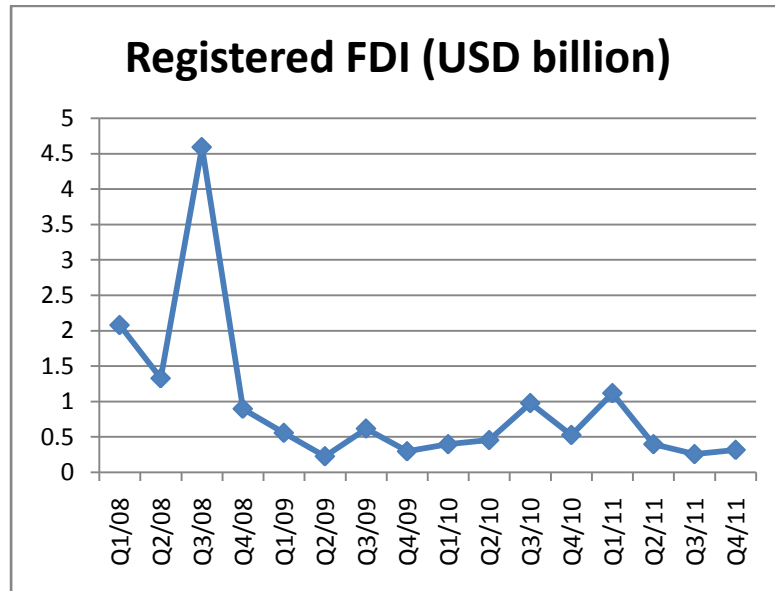


Figure 3 – Own computations: Registered FDI – source: General Statistics Office of Vietnam

In 2006, Vietnam joined and became the 150th member in the organization. Vietnam has attracted many investors from foreign in order to invest into Vietnam caused the FDI changed. At the same time, the labor and business costs were increased in China, which made it no longer a “low cost” country anymore. The registered FDI into HCMC was increasing sharply and peaked at 2008 by the value of more than 8 billion USD. However from 2009, the inflow of FDI suddenly shrank below 1 billion USD, because of the global crisis made the investors become recession into spending money. While they also saw many obstacle in investing into the Vietnamese real estate market, like high inflation, devaluation of VND, lack of energy sources, electricity, infrastructures, human resources, obstacles in land law regulations. In 2010 and 2011 the investment from outside into HCM City slowed down. The reason by many investors expected on policies of land law from government; besides, the demand of housing, office buildings, and retail spaces decreased while the price of real estate increased.

4.2.4 . Impact of CPI upon Commercial Property Market in HCMC:

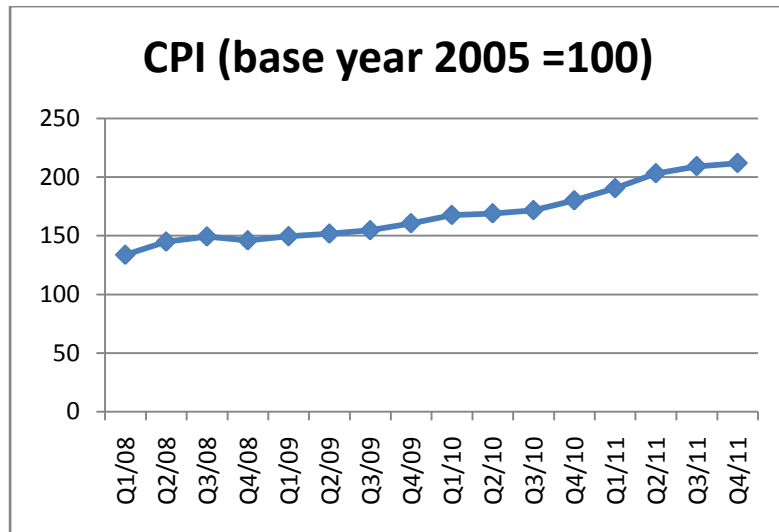


Figure 4 – Own computations: Consumer Price Index – source: General Statistics Office of Vietnam

From 2008 to 2011, CPI⁴⁹ changed very strong, but the inflation increased high (2008 with 23.1% in Vietnam), and the exchange rate varied very complicated created more difficult for real estate, particularly in commercial property market in HCM City. Moreover, high inflation forced the consumers to shrink their expenditures. In the first quarter of 2008, to control the overheated economics with excess liquidity, the government imposed strict fiscal and monetary policy. With 11% was cut in administrative expenditure across all ministries, curtailing monetary and credit expansion to 32% in 2008 (in 2007 at 55%), restore high export growth by measure, curtailing import by higher import taxes in 24% (in 2007 at 36%). The reasons are the increasing in gasoline price resulted to other goods and services. Many people focus on invest their money on reliable sources (gold, exchange rate).

⁴⁹ Consumer Price Index

4.2.5 . Vacancy rates of Grade A, Grade B of Office Buildings and Shopping Center in HCMC:

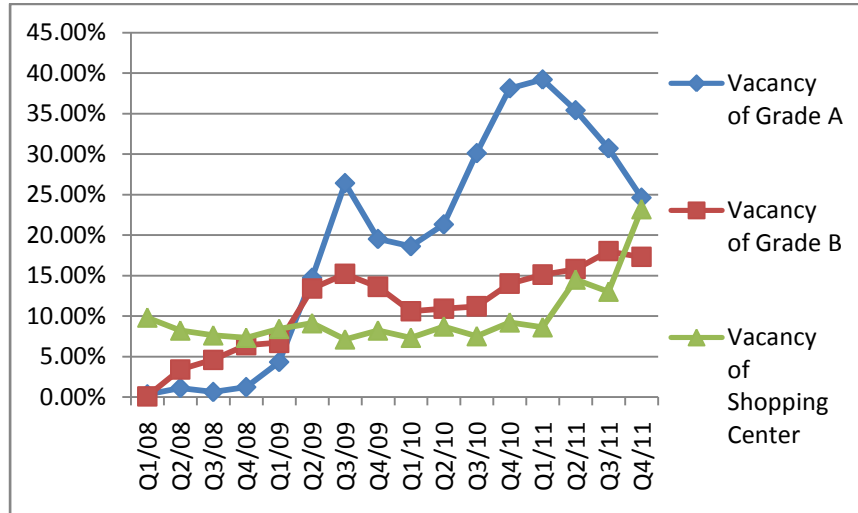


Figure 5 – Own computations: Vacancy rate of Grade A, Grade B of Office Buildings and Shopping Center – source: CBRE/ Vietnam

As the graph above, the vacancy rate of Grade A office buildings increased high from 2008 to the fourth quarter in 2010. In October 2010, Bitexco Financial Tower opens, the tallest buildings in HCMC, providing 37.710 square meters Grade A office space, it reflected that the supply increasing. Grade B buildings opened with 51.020 square meters, providing large buildings spaces. The reason vacancy rate increasing reflected that many people want to rent office buildings rather than want to own them. The price of Grade A increase compared with some regional cities (Shanghai, Beijing with 31-33US\$ per square meters per month). Vacancy rate of Grade B also varied in an increasing from the first quarter in 2008 to the fourth quarter in 2009. The vacancy rate of shopping centers lowest, many people invest and buy the retail spaces a lot. Besides, Japanese retailers surveying the market, created more stores, shops...In 2011, the vacancy rate of shopping centers increased high with 24%, vacancy of Grade A office buildings decreased. The reason by the price of Grade A office buildings adjusted suitably for investors. While vacancy of shopping centers reflected that the price of shopping centers increase compared with previous years, the demand of shopping centers also grow but many people do not have enough money to buy, so that the vacancy rate of shopping centers reflected big difference.

4.2.6 . Regression in Ho Chi Minh City’s Market:

	Vacancy rate of Grade A		Vacancy rate of Grade B		Vacancy rate of Shopping Center	
	Coefficient	P-value	Coefficient	P-value	Coefficient	P-value
Const	-46.4856	0.02847	-12.475	0.05186	-11.2009	0.10869
GDP	-0.794804	0.51385	-0.372442	0.32850	0.43267	0.31082
CPI	0.438623	0.00227	0.164509	0.00054	0.105501	0.01997
FDI	-1.69248	0.54677	-1.15924	0.19506	-0.350134	0.71734

Table 2: Regression for HCMC Vacancy Rate of Office Building Grade A & Grade B and Shopping Centers.

$$Y_1 = -0.794804X_1 + 0.438623X_2 - 1.69248X_3 - 46.4856 \quad (1)$$

$$Y_2 = -0.372442X_1 + 0.164509X_2 - 1.15924X_3 - 12.475 \quad (2)$$

$$Y_3 = 0.43267X_1 + 0.105501X_2 - 0.350134X_3 - 11.2009(3)$$

These are results from Gretl

In the functions (1) (2) (3), Y_1 is vacancy rate of Grade A, Y_2 is vacancy rate of Grade B, Y_3 is vacancy rate of Shopping Centers, X_1 is GDP growth rate, X_2 is CPI, X_3 is FDI.

In the function (1), the GDP growth rate and the capital of FDI have negative coefficient, CPI has positive coefficient. It means that the GDP growth rate and FDI in HCM City impacted direct to commercial real estate in HCM City. The GDP growth rate and the capital of FDI decrease in the function; it reflected that the HCM’s market change following the function of vacancy rate of Grade A. However, the CPI was significant, it can be explained by the demand of office buildings and retail space still kept strong. But the supply of office buildings and retail space decrease by the global economic crisis, and many investors are expecting changes on policies about the land law from government. The commercial property market in HCM City still kept showing the good signs regardless the economic indicators impacted to the real estate.

In the function (2), the GDP growth rate and the capital of FDI have negative coefficient, CPI has positive coefficient and was significant. The reason can be explained as the function (1) mentioned above for the function of vacancy rate of Grade B.

In the function (3), the GDP growth rate and CPI have positive coefficient, the capital of FDI has negative coefficient, and CPI was significant. It means that many people focus on retail spaces by many opening shopping center, providing a large retail space but many investors still are expecting one more potential commercial property market in Ho Chi Minh City. However, all of the functions reflected that HCM’s market still attract a large number of people in order to invest into the commercial property market.

4.3 Analysis of Hanoi's Market:

4.3.1 Introduction about Commercial Property Market in Hanoi:

Hanoi is the capital of Vietnam and the country's second largest city. In 2009, the population was estimated at 206 million for urban districts and 6.5 million for the metropolitan jurisdiction. The city is located on the right bank of Red River. Hanoi will be the fastest growing city in the world of GDP growth with industrial production has experienced a rapid boom since 1990, with average annual growth of 19.1% from 1991-1995, 15.9% from 1996-2000, and 20.9% during 2001-2003. The city's export value grew by an average 11.6% from 1996-2000, 9.1% during 2001-2003 and 2003-2008 GDP growth rate reached 11.3%. Similar to Ho Chi Minh City, Hanoi enjoys a rapidly developing in real estate market. Hanoi's capital economy growth does not seem equivalent to its infrastructure. An increasing population requires a much larger supply of accommodations, office buildings, and retail spaces, while the constructing celebrities of both transport system and new urban areas are too low. Not surprisingly, as an effect of these problems, the "real estate fever" occurs severally during the time. In 2008, the real estate market suffered high inflation and was impacted by global financial crisis. Despite the real estate market in Hanoi stepped into first quarter with significant begin but after that time the real estate market came up against with the following quarters. With the expectations that the real estate in Hanoi would be prosperous due to decreasing by material cost, the inflation rate could be dominated. In 2008, the office buildings market in Hanoi could not create intensive changes due to the supply still reduced. At the first and second quarter in 2008 GDP growth still kept with 11.3%-11.4%, boosted the commercial property market relatively flexible. The new supply caused the office buildings and retail spaces increased high with Ciputra Mall was constructing and completed plan in 2010, would providing retail spaces over 130.000 square meter. But the real estate at the half of year 2008 grew slowly by requires for renting and transactions for renting lower. The price of office buildings Grade A at that time around 53USD/m²/month, over 37% compared with last year. The vacancy rate of office buildings of Grade A and B in 2008 relatively stable less than 2% to 3.5%. Because of the material cost decreases at the following second quarter in 2008 and the inflation rate dominated, the real estate market showed the recovering signs.

Quarter	GDP growth rate (%)	FDI (USD million)	Inflation %	Vacancy rate		
				Grade A	Grade B	Shopping centers
Q1/08	11.3%	510	15%	1.2%	3.4%	4.8%
Q2/08	11.4%	600	18.5%	1.6%	3.5%	8.1%
Q3/08	11.5%	3200	21.5%	1.7%	3.8%	7.8%
Q4/08	11.4%	570	24%	2.8%	13.5%	8.2%
Q1/09	3.2%	50	15%	3.2%	19.5%	7.8%
Q2/09	5.7%	180	12.5%	2.9%	17.8%	27.2%
Q3/09	5.8%	185	10%	6.1%	16.8%	21%
Q4/09	6.67%	98	8.22%	9.5%	20.1%	16.7%
Q1/10	8.7%	50	9.58%	9.2%	21.3%	13.5%
Q2/10	10.1%	70	9.44%	7.51%	18.24%	11.75%
Q3/10	10.3%	70.2	9.05%	5.65%	12.21%	12.67%
Q4/10	11.5%	90	11.5%	7.09%	15.03%	13.62%
Q1/11	9.2%	430	13.56%	9.6%	18.7%	14.9%
Q2/11	9.3%	445	15.5%	5.00%	16.98%	15.3%
Q3/11	9.4%	150	21.7%	4.69%	15.77%	16.0%
Q4/11	10.1%	475	17.89%	34.5%	24.43%	13.4%

Table 3 - Own computations: Collected data of Hanoi market – source: CBRE/ Vietnam, General Statistics Office of Vietnam

4.3.2 Impact of GDP growth upon Commercial Property Market in Hanoi:

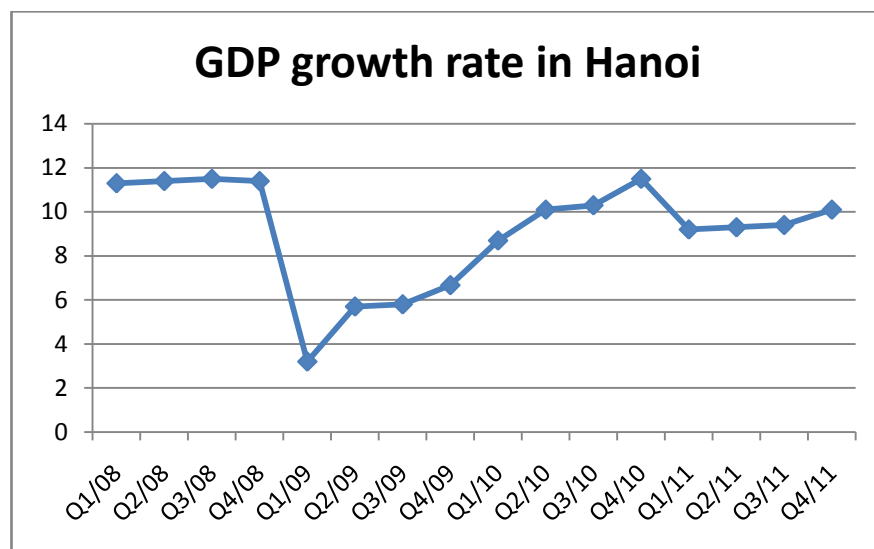


Figure 6 – Own computations: GDP growth rate in Hanoi – source: CBRE/ Vietnam

In 2008, Hanoi’s GDP growth reached 10.58%, the vacancy rate of Grade A, Grade B, and the Shopping Centers kept low with 1.2% of Grade A, 3.4% of Grade B,

and 4.8% of Shopping Centers. Similar to HCMC, Hanoi’s market also was impacted by financial crisis, the inflation increased high caused the commercial property in Hanoi changed. However, the retail spaces and office buildings still attracted many retailers as well as renders office. With the characteristics of young population, the urbanization high, the changes in lifestyle attracted many Vietnamese and international retailers and renders. The cosmetics, clothes, footwear, and household commodities are commodities could get more profitable from retail spaces. The office buildings also attracted many people with high growth of renting was reflected through percentage of vacancy of Grade A and Grade B. Moreover, the tendency of Hanoi people about shopping is relatively much when they travel, overseas study, visit their friends or their relation. They spend very much for footwear, cosmetics, and modern fashions. Those reasons caused the office buildings and retail spaces decreased and changed. In 2009, Hanoi’s GDP growth reached 6.67% above the national average (5.32%). The vacancy rate of Grade A, Grade B, and Shopping Centers increase significant with 3.2%-9.5% of Grade A, 19.5%-20.5% of Grade B, and 7.8%-16.7% of Shopping Center. The changes of vacancy rate caused many people rent less and many investors focus on consolidate offices with expecting longer leases and favorable rentals. The vacancy rate of shopping centers change would affect shopping habits of Hanoi people. In 2010, Hanoi’s GDP growth in the first quarter was 8.7%, exceeded the national average GDP growth (5.83%). An increasing in import growth is mostly a result of raising prices of commodities on the world market, specifically construction materials, steel, petroleum products...Hanoi’s export increased with footwear products, computer components, rice, and textiles. In 2010, vacancy rate increase due to the opening of Keangnam Landmark Tower, so that the commercial property market falls down. The retail spaces were influence by more shopping centers opening. In 2011, Hanoi’s GDP reached 10.1%, the vacancy rate of grade A, Grade B and Shopping Centers increase high caused the commercial property market relatively difficult by the reason of inflation increase impacted direct to real estate market. The market of office buildings and retail spaces are more difficult for investor in order to attract customers.

4.3.3 Impact of FDI upon Commercial Property Market in Hanoi:

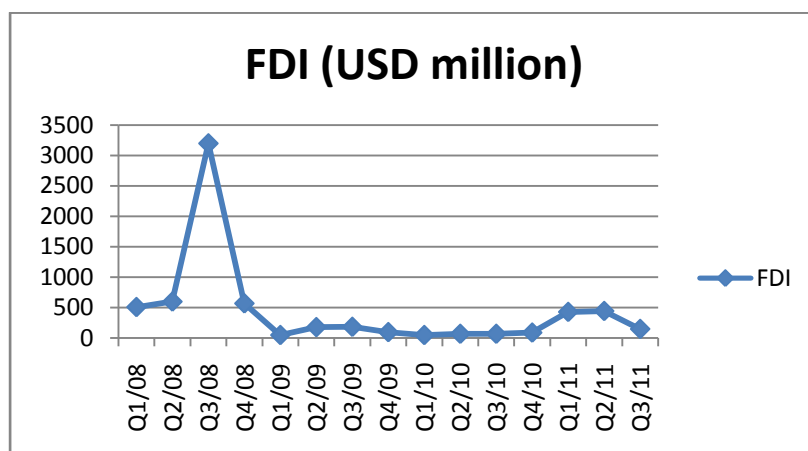


Figure 7 – Own computations: Foreign Direct Investment (USD million) – source: General Statistics Office of Vietnam

In 2008, FDI seems to be “the golden age” in Hanoi’s capital with capital of FDI in the first quarter reached 510 million USD, the second quarter reached 600 million USD, the third quarter reached 3200 million USD, and the last quarter was 570 million USD. The registered FDI in order to invest on real estate reached 23 billion USD. However, the following years, the real estate market in Vietnam is worst caused many foreign investors need to adjust. They had to delay invest on real estate by the economic crisis. Besides, the real estate in Vietnam come up against many difficult such as the transactions of real estate relatively quiet, the government imposed policy on account. Therefore, many investors did not venture their money for real estate in Vietnam, particularly Hanoi’s commercial property market. The capital of FDI also decrease significantly from the first quarter 2009 – last quarter at 50 million USD – 98 million USD too low compared with 2008. Hanoi attracted 340 FDI projects in 2009 and total registered capital reached only 500 million USD, besides international trade activities slowed down, export in Hanoi down 7.8% in 2009, and imports down 17.4%. In 2010, the capital of FDI was 50-90 millions USD. The vacancy rate of Grade A, Grade A, and Shopping Centers increase high compared with previous quarters. The reason by the inflation rate increase impacted seriously to commercial real estate market in Hanoi. In 2011, the capital of FDI change significantly from the first quarter 430 million USD to the last quarter reached 475 million USD. The office market in Hanoi still saw strong demand through vacancy rate decrease. The market saw strongest lease activities in Grade B, the vacancy rate of Grade A from the first quarter to third quarter decrease strong (9.6%-4.69%), while Grade B decrease from 18.7%-15.7% influenced to commercial property market. Besides, the vacancy of Shopping Centers also slowed down and the retail market supply increase mainly due to the opening Hang Da Galleria, providing 134.500 square meters of modern retail space. The reason by the capital of FDI increase, many investors expected in order get more profitable from the demand of people increase. But in the fourth quarter in 2001, the vacancy rate of Grade A increase caused many people change into office buildings of Grade B, and many shops for cosmetics, footwear... opened in order to serve Hanoi’s people habit.

4.3.4 Impact of Inflation upon Commercial Property Market in Hanoi:

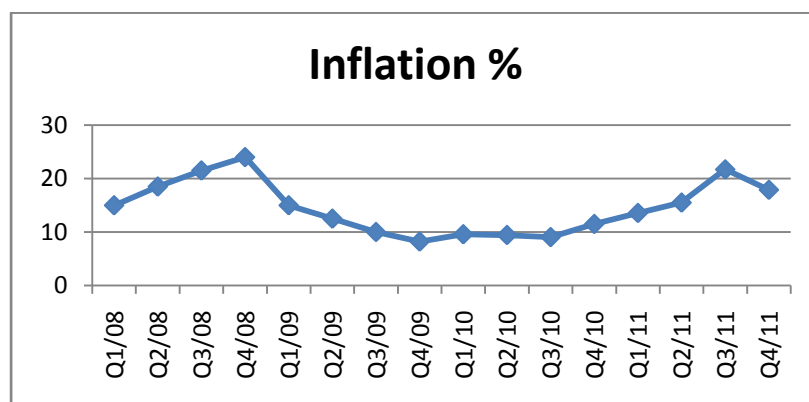


Figure 8 – Own computations: Inflation rate in Hanoi – source: General Statistics Office of Vietnam

As mentioned above, the inflation rate in 2008 increase, the economic crisis, and the government imposed policy on real estate market caused property market come up against more difficult. In 2009, the inflation rate decrease significantly at 15% in the first quarter and 8% in the last quarter. The vacancy rate of Grade A slowed down, while Grade B increased. The reason by the stock market recovered, many people want to invest their money on commercial property market. The Capital Tower, providing 21.000 square meters of Grade B office buildings to the market. The rental rate of office buildings increase significantly by more opening shopping centers caused the retail market increase. In 2011, the vacancy rate of office buildings increase stronger. In the first quarter the vacancy rate of Grade A at 9.6% and the last quarter was 34.5%, while the Grade B in the first quarter at 18.7% and the last quarter was 24.4%. The vacancy of Shopping Centers slowed slightly. The reason by the inflation rate still kept strong with 17.8% in the fourth quarter 2011.

4.3.5 Vacancy rates of Grade A, Grade B of Office Buildings and Shopping Center in Hanoi:

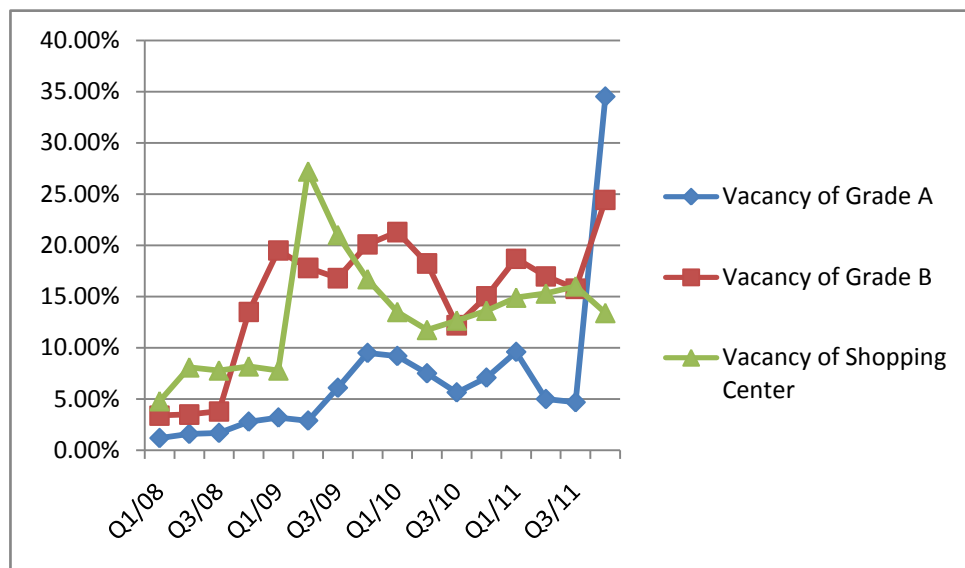


Figure 9 – Own computations: Vacancy rate of Grade A, Grade B of Office Buildings and Shopping Center in Hanoi – source: CBRE/ Vietnam

As the graph above, the vacancy rate of Grade A of office buildings in 2008 kept at the low rate with the first quarter at 1.2% and the last quarter at 2.8%. In 2009, the vacancy rate increased slightly because the GDP growth still kept at the strong growth and the capital of FDI dropped into Hanoi very strong. The vacancy of Grade B increased more than Grade A because the following year’s capital of FDI dropped slowly, and the high inflation, global economic crisis impacted to office market. In 2008, the vacancy rate of Shopping Center increased slightly but in 2009 the vacancy rate increased significantly reached 27.2% in the second quarter. The reason by the GDP growth decreased and the demand about the retail space decreased. Many people invested their money into another sources such as gold and USD. At that time, the gold market increased and many people got large amount of profit. Moreover, the high inflation influenced significantly, the government curbed policy about the land law in

order to reduce the speculations in real estate market. In 2011, the vacancy rate of Grade A and Grade B of office buildings increased high. The reason by many people prepared to wait for and welcome New Year, the demand to invest as well as rent office market decrease while the supply still increase. The vacancy rate of Shopping Centers decreased strong by the demand for shopping to serve for Hanoi's habit at the last days of year.

4.3.6 Regression in Hanoi's Market:

	Vacancy rate of Grade A		Vacancy rate of Grade B		Vacancy rate of Shopping Center	
	Coefficient	P-value	Coefficient	P-value	Coefficient	P-value
Const	10.1923	0.00187	26.1403	0.0012	19.1901	0.0009
GDP	0.0492872	0.8477	-0.624016	0.3308	-0.333856	0.4588
FDI	-0.0005883	0.5226	-0.0031100	0.1810	-0.0009189	0.5646
Inflation	-0.346833	0.0262	-0.279204	0.4214	-0.227140	0.3580

Table 4: Regression for Hanoi Vacancy Rate of Office Buildings Grade A & Grade B and Shopping Centers.

$$Y_1 = 0.0492872X_1 - 0.000588394X_2 - 0.346833X_3 + 10.1923 \quad (4)$$

$$Y_2 = -0.624016X_1 - 0.00311002X_2 - 0.279204X_3 + 26.1403 \quad (5)$$

$$Y_3 = -0.333856X_1 - 0.000918921X_2 - 0.227140X_3 + 19.1901 \quad (6)$$

These are results from Gretl

In the functions (1) (2) (3), Y_1 is vacancy rate of Grade A, Y_2 is vacancy rate of Grade B, Y_3 is vacancy rate of Shopping Centers, X_1 is GDP growth rate, X_2 is FDI, X_3 is Inflation.

In the function (1), the GDP growth rate has positive coefficient, the capital of FDI and Inflation have negative coefficient, and Inflation was significant. It means that the commercial property market in Hanoi was impacted by the GDP growth, FDI and Inflation very much. In the function of vacancy rate of Grade A, the capital of FDI and Inflation caused vacancy rate of Grade A increase strong. Although GDP growth rate has positive coefficient but many people as well as many investors did not venture in order to invest, expecting changes from government with land law. Besides, the economy still growing slight, still at the difficult stage also influence to Grade A of office buildings.

In the function (2), the GDP growth rate, the capital of FDI and Inflation has the same negative coefficient and were not significant. The reason by the supply is more and more abundant than the demand in the market. Moreover, the price was considered to cut down for office buildings of Grade B while the supply still increases to attract the customers. But the reality that vacancy rate of Grade B still increase because of the capital of FDI decrease.

In the function (3), the GDP growth rate, the capital of FDI and Inflation has also the same negative coefficient and were not significant. Although the tendency of Hanoi people for shopping increase high but the Inflation increase and change

continuous; besides the capital of FDI drop into Hanoi's market slightly caused the vacancy rate of Shopping Center increase. Retail market was impacted strong, many people invest their money into another sources such as gold market. The reason by the gold price increase and many Hanoi's people believe that they can get more profitable than commercial property market.

5. Conclusion

This is a thesis about commercial property market in Vietnam. The main issues were researched and discussed are:

An introduction about the general real estate and its implications, they are types of commercial property. Commercial property market also mentioned with connection to Hanoi and Ho Chi Minh City. Influences to commercial property market such as policies from government, the supply and demand to identify commercial property market generally. The problems about commercial property market were analyzed and evaluated in Hanoi and Ho Chi Minh City.

Ho Chi Minh City is largest city in Vietnam, plays main role in economic, financial, and commercial services in Vietnam. Throughout the economic indicators mentioned above, the GDP growth rate 2008 reached 10.2%, boosting imports and exports of the country. The following years, the GDP growth still kept reaching significant. Besides, the capital of FDI was increasing sharply and peaked at 2008 by the value of more than 8 million USD. In 2009 and 2010, the capital of FDI in Ho Chi Minh City decreased slightly by the high inflation, devaluation of VND (Vietnam Dong) and obstacles in law regulations from government. The CPI of HCMC increased strong together with high inflation impacted to commercial property market. The vacancy rate of Grade A, Grade B of office buildings and shopping centers also increased and decreased following the demand of HCMC people and foreign investors. Although the economic factors such as high inflation, global economic crisis... was influencing to HCMC's market but the commercial property market still developing significantly with many opening offices, shopping mall and still attract the capital of FDI from international investors in order to invest into real estate market. Ho Chi Minh City is expecting to attract more investors and expand commercial property market to serve the demand for people.

Hanoi is the capital of Vietnam and the country's second largest city. Similar HCMC, Hanoi's market also was impacted by global economic crisis, the high inflation caused the commercial property market became more difficult to attract investors as well as customers. The GDP growth rate varied significantly, the demand still increasing but the vacancy rate of office buildings and shopping centers reflected big differences. The reason by the capital of FDI dropped into Hanoi slightly, slowed down. Many projects, offices and shopping mall had to delay because many investors expected changes from government about the land law. Moreover Hanoi people have the tendency to invest follow "spread rumors", uncertain information which was built by the speculators. The market became more difficult to develop as well as expand. Although Hanoi is capital of Vietnam where has intensive potential strength in economic, services..., especially real estate when population increasing and the demand about the commercial property is very essential but Hanoi's market still relatively quiet through the reflection of economic indicators. Hanoi's market is still expecting to change its face to push the commercial property market and develop in the following years.

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